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FOCUS ON WEST GERMANY

A SPECIAL REPORT — PART II PART I APPEARED YESTERDAY

Investment Abroad: Focusing On Long-Term Opportunities

By Geoffrey Weston

COLOGNE — West Germany's lack of a recent colonial past has caused the pattern of investment overseas to follow markedly different lines from those in countries like Britain and France, which have largely maintained economic links with countries to which they gave independence. Manufacturing industry has been in the vanguard of German foreign ventures, accounting for nearly two-thirds of total foreign investment since records began to be kept in 1952.

The immediate postwar period left Germany politically bankrupt and economically shattered. The only way to revive the country's reputation was seen to be in economic terms.

Against this background, it is hardly surprising that West German business has built up its overseas strength largely in politically safe areas. In 1981 (the latest full year of official statistics) direct investment abroad totaled a record 9,824 billion Deutsche marks, of which 3,403 billion DM (or nearly 35 percent) was lodged in the United States and 2,98 billion DM (30 percent) in Europe. Total postwar investment overseas is estimated at about 90 billion DM.

High wages and the high value of the mark were

major but not overwhelming incentives to manufacture abroad throughout the 1970s. Unlike many North American businessmen, Germans have tended to focus on long-term market prospects, partly because this approach was more warmly received in host countries, and have preferred to swallow losses to keep existing markets open.

Investment has inevitably followed trade, and West German banks have felt obliged to follow suit although they have become acutely aware of the problems of uncorrelated and rash pursuits of growth in foreign markets. Risks and profits are being scrutinized even more closely than before, but the present economic slowdown and comparatively low prices are being looked upon in banking circles as a good time to increase overseas commitments; the United States and Ireland are seen as among the most-favored countries.

The importance of political stability is rated second only to commercial prospects, coupled with ease of repatriating profits. Exchange rates, too, have played an important role, particularly after they were allowed to float in 1973. At a time when West German wage rates were among the four highest in the world, Ger-

(Continued on Following Page)

West German Investment Abroad (DM Millions)

	1979	1980	1981
1. U.S.A.	3692.6	3380.1	3402.8
2. Belgium/Luxembourg	498.9	1028.1	1020.5
3. Brazil	532.9	362.7	731.0
4. France	721.9	453.7	621.6
5. Canada	407.5	421.5	479.0
6. Cayman Islands	2.0	0.7	470.7
7. Switzerland	136.8	542.9	367.0
8. United Kingdom	85.7	171.0	295.0
9. Australia	27.5	174.1	235.1
10. Italy	150.7	212.8	164.4
11. Mexico	33.9	195.8	159.2
12. Japan	30.3	31.0	130.5
13. Austria	188.7	130.4	126.5
14. Egypt	26.5	29.9	119.4
15. Argentina	79.1	131.4	117.5
16. Singapore	26.1	141.7	105.8

Although the U.S. continues to dominate the ranking list, the level of investment has remained fairly stagnant in recent years compared with the rise of Brazil to third place.

Energy: New OPEC Prices Get Cautious Welcome

By Andrew Hargrave

HAMBURG — "Will the new OPEC prices stick? And how will the North Sea producers react? These questions are worrying the multinational oil companies as much as governments and customers, industries as well as private individuals.

In West Germany's case the problem is complicated by the fact that more than 96 percent of its crude is imported and it has, therefore, little control over what is happening to prices.

The major users, such as the chemical industry, have given a cautious welcome to the price drop ("We'll probably have to pass it on to the customer anyway," is the consensus) and so has the Ministry of Economics. It has estimated that a decrease of 34 percent on the price of crude — OPEC has, in fact, recommended a decrease of 35 — would save the country 7 billion Deutsche marks on the balance of pay-

ments, not counting the overall benefit to the economy in lower energy costs.

Escalating oil prices in 1979-1980 were largely responsible for three years of German balance-of-payments deficits, which only last year turned into a modest surplus of 8 billion DM, and at least partly for economic stagnation. Since West Germany also imports nearly 70 percent of its natural gas, whose prices are normally linked to those of oil, one headache for the federal treasury — and the new government concerned about the lack of economic growth — has certainly eased.

Falling prices have brought no relief, however, to the major oil companies, particularly for Deutsche BP, the German subsidiary of the British multinational.

Unlike Esso or Shell, which are jointly involved with others in (until recently) profitable development of natural gas and limited quantities of oil on the German mainland, Deutsche BP has no such sideline. On the other hand it did

have several under-utilized refineries, some acquired as part of an 800-million-DM deal from Veba, West Germany's largest domestic energy concern, four years ago.

Deutsche BP followed up the 271-million-DM loss suffered in 1981 by an even bigger loss last year. It admitted to a business deficit of 900 million DM and it required a capital injection of 600 million DM from the parent company (which includes a 200-million-DM contribution to raising the equity capital) to keep the final loss to just less than 500 million marks.

Measures to streamline Deutsche BP's operations and stem the mounting losses include a drastic pruning of its refinery facilities, reducing capacity by about two-thirds, from 24 million tons a year to 8 million tons. Sales are being trimmed by one-third and so are the 3,200 service stations

(Continued on Following Page)

4-Party Parliament Alters National Political Forces

By Anna Tomforde

BONN — The general election in March has brought the most thorough realignment of political forces in West Germany in the last 25 years.

The conservative parties, the Christian Democratic Union (CDU) of Chancellor Helmut Kohl and its right-wing Bavarian sister party, the Christian Social Union (CSU), achieved their best result since 1957, when Konrad Adenauer was chancellor, and the country was in the midst of post-war reconstruction.

They took 1.6 million votes away from the Social Democratic Party (SPD) — whose 16 years in government came to an end when Chancellor Helmut Schmidt's coalition collapsed last September — and broke into the traditional working class strongholds of the SPD in industrial areas and predominantly Protestant regions.

The Social Democrats, who registered their worst result since 1961, captured some 70,000 votes from the small Liberal Party of Foreign Minister Hans-Dietrich Genscher, but lost ten times as many to the new anti-nuclear Green Party. The fact that with the Greens there now will be four parties in parliament, and that the percentage gap between the two largest parties — the CDU/CSU and the SPD — has widened to over 10 percent, has been taken by some analysts as a sign that the postwar stability of the West German parliamentary system is beginning to shake.

It is generally accepted that the Social Democrats will have difficulty in adapting to their new role on the opposition benches.

Their defeat, which the right wing has blamed on the drive by Willy Brandt, the party's chairman, to make the SPD more receptive to anti-nuclear campaigners and environmentalists, is likely to revive old ideological rifts among the Social Democrats that were papered over, but not solved, by the departure of Mr. Schmidt.

Although no one in the party holds Hans-Jochen Vogel, the unsuccessful candidate and new opposition leader, personally responsible for the election disaster, his proposals on how the party should be run have met with fierce criticism and attempts at obstruction by the right wing.

Mr. Brandt's strategy of responding to the nuclear and environmental issues raised by the large West German peace movement was strongly opposed by Mr. Schmidt, and is likely to rekindle a debate begun by right-wingers last year on whether the SPD should be running after fringe groups.

On the other hand, analysts fore-

cast growing pressure on the SPD from its own left wing and the Greens to reject outright the deployment of new American medium-range missiles.

The SPD also will need time to recover from its apparent failure to offer alternative solutions to the unemployment problem. Many workers apparently swung to Chancellor Kohl because he ran on the simple slogan: "Vote for the upturn."

The SPD's approach of making no rash promises about economic recovery, and of placing the economic recession into an international context, failed to convince the voter.

It would appear, therefore, that the small Liberal Party of Foreign Minister Hans-Dietrich Genscher is the real winner of the election. The Liberals continue to hold the balance of power, as the party has

done for 26 out of the last 33 years, without ever polling more than 13 percent of the vote, and this time less than 7 percent.

The Liberals scored the second worst result in their history, but nonetheless survived the inner-party battle that threatened to deal them a death blow after Mr. Genscher's switch from the Social Democrats to the conservatives last autumn. Mr. Genscher's gamble paid off, albeit at the price of reducing the Liberal's vote by 4 percent and of leaving behind a party split between left and right.

Chancellor Kohl apparently is glad to have the Liberals on board again, for a conservative majority government would have meant that the influence of Franz-Josef Strauss, the right-wing Bavarian leader, and his Christian Social Union (CSU) would have been greater.

Scientists Strive to Unlock Mysteries of a Beer's Head

By Mark J. Kurlansky

BERLIN — In a laboratory on Seestrasse in a quiet sector of the Western sector, two scientists are working. One is pouring a beer into a glass. The other is timing it with a stopwatch to see how long the head lasts.

They are trying to understand what Dr. Hans Schmitz-Berndt, director of Berlin's Research and Teaching Center for Brewing (the VLB), calls "one of the remaining mysteries" of beer, "one of the parts of the brewing process where you still work empirically."

The VLB, now celebrating its 100th anniversary, is staffed by scientists. They prefer working scientifically to working empirically and they are not fond of mysteries. Nevertheless a lot of their research rests on knowing how to taste beer. Here it is not enough to know that Germans make good beer. They want to know why.

The VLB, along with a similar institution in Munich, is one of the world's most respected training and research centers for the brewing craft. The professors are salaried by the Berlin University for Technology and the research is financed by the majority of West Germany's 1,400 breweries.

The study of brewing technology has grown in esteem internationally and students come from all over the world to benefit from the acquired knowledge of German breweries. Students, after having apprenticed for three years in a brewery, study for an additional two years at VLB to become brewmasters or for four and a half years to become engineers of brewing technology. Vintners also study at VLB to improve their sparkling wine technology.

Even small German breweries have at least one brewmaster and large ones have one or more engineers.

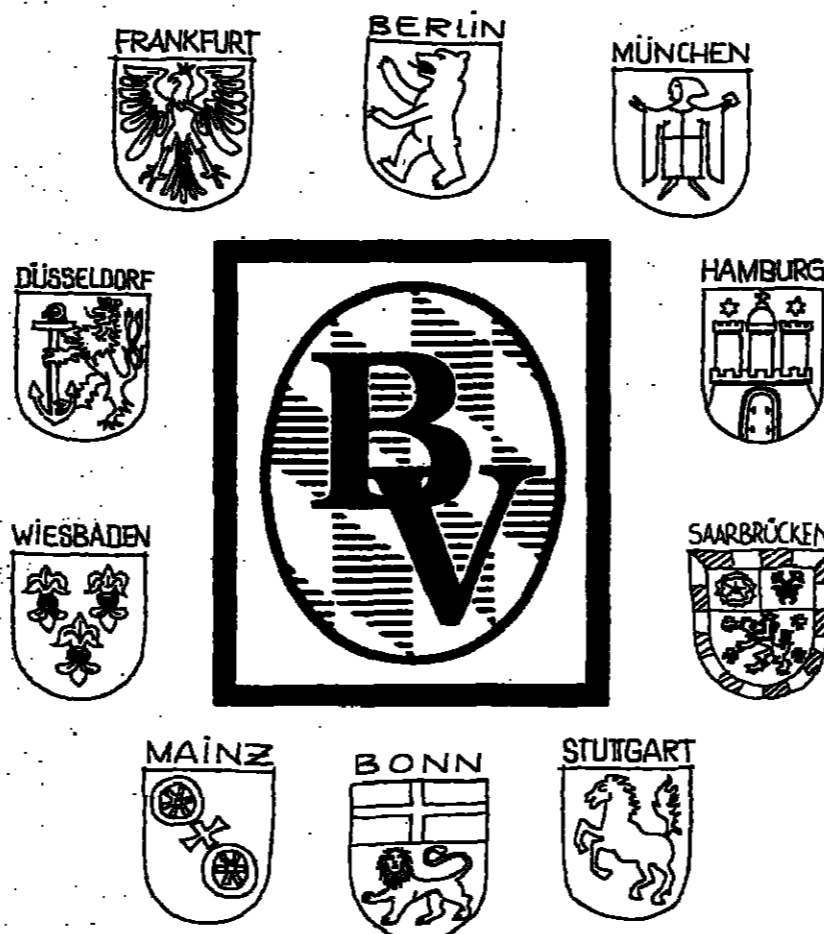
The VLB also does research on every conceivable aspect of brewing. The contents of beer in West Germany are regulated by stringent laws that have been in effect nationally since the turn of the century and in Bavaria since 1516. VLB studies every ingredient and their interactions. Since beer is brewed with pure natural water, one department studies the possible effect of pollution. Another section does research on the high quality, low yield strains of spring barley required for brewing. Another section studies hops and another yeast.

But for all their test tubes and electronic laboratories, one of the VLB's most important functions is tasting beer. German breweries constantly create new beers, not just what Dr. Schmitz-Berndt calls "marketing department creations," but genuinely different varieties. They send these new or experimental beers to

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WEST GERMANY

Shipping: Recession Causes Streamlining

HAMBURG — The continuing world recession is testing the ingenuity and resilience of the West German shipping and seaport industries.

The recession has led to considerable changes in the structure of the merchant fleet, both in terms of types of ship and registration. It has caused streamlining of crews and port handling facilities, the sale of surplus ships wherever possible and switches to more cost-effective containers.

Nevertheless, only last month the leading West German shipping company, Hapag Lloyd, had to turn to its major shareholders, the Deutsche and Dresdner banks and the Allianz insurance company, to help reconstruct its capital structure.

Hapag Lloyd was also forced to sell its prestigious Hamburg headquarters building as well as other assets to stem losses and raise cash. This year, it will also cease its bulk carrier and tanker operations and in future limit these to container and liner traffic. And contrary to previous practices, to save costs, it has placed orders in a South Korean yard for two container ships as part of a consortium fleet on the South American route.

The West German shipping association VDR reported that, as part of the slimming-down operation, the merchant fleet shed around 500,000 British registered tons last year and was now down to just over 10 million BRT. The number of ships — 761 — is, how-

ever, virtually the same, reflecting the change toward smaller specialized vessels.

Nearly 40 percent of the fleet now sails under flags of convenience, with more than half registered in foreign ports, to economize on high German labor costs and port charges. The sale of 40 ships last year, including five giant tankers, has saved German laid-up shipping from rising to the world average of over 12 percent. What tankers remain tend to be specialized, carrying chemicals, oil products, natural oils and liquid gas rather than crude oil.

The VDR report noted that for the first time, tramp ships overtook bulk carriers in terms of tonnage. The rise in ships sailing under foreign flags is particularly noticeable among bulk carriers (60 percent) and tramp ships (52 percent). Moreover, every one of the 21 refrigerated cargo ships — including the 11 registered in Germany — sail under flags of convenience, although the proportion is somewhat lower for tankers (25 percent), cargo liners (21 percent) and cruise ships (9 percent).

An encouraging feature of the German fleet is its youth: 69 percent of the tonnage is less than 10 years old (the world average is 54.5 percent), with only five ships over 20 years old.

Despite the recession, the freight slump and an enormous overcapacity worldwide, West German shipping companies have plans for 139 new ships worth a total of 4.6 bil-

The West German Merchant Fleet				
Type of Ship		Percent of Total Tonnage	Numbers	BRT 1/1/83 1/1/82
Tankers	128	2,788,386	36.1	39.7
Tramp Ships	247	1,707,351	22.1	19.6
Bulk Carriers	48	1,585,624	20.5	20.8
Cargo Liners	106	1,422,993	18.4	17.3
Cruise Ships	10	133,647	1.8	1.6
Cargo Ships	11	87,090	1.1	1.0
Total	550	7,725,091	100.0	100.0

Source: VDR

lion DM. Unfortunately, the Federal Ministry of Transport, which provides a 12.5-percent investment subsidy toward building costs in German yards, currently has only 230 million DM available. This means that there will only be enough cash for ships worth 1.84 million DM. More than half the ships planned would either have to be built without a subsidy, or await the next installment, which may or may not materialize.

The pressure for a new infusion of government cash will come not only from the shipping lines but from the hard-hit shipyards. One of the largest and oldest, Bremer Vulkan, was saved from closure last month only at the last minute by direct intervention from the Bremen state government.

Almost two-thirds of West German merchant ships, representing 70.5 percent of the total tonnage, have their home here in Germany's leading port, which last year accounted for 44.5 percent of the total tonnage handled by the coun-

try's 12 most important ports. However, although nearly 62 million tons of cargo was handled, Helmut F. H. Hansen, chief commercial executive of the port, warned that bread-and-butter items such as general and bagged cargo tonnage were declining, as were cargos particularly sensitive to recession, such as iron and steel.

There was also a slight drop in container traffic, the pacemaker of port expansion in recent years and a recipient of considerable investment.

Hamburg is one of the world's biggest container ports, as is Bremen.

"The position would have been worse if it were not for the continuing buoyancy of German exports," Mr. Hansen said. Transit, which incidentally increased shipments of grain for the Soviet Union, has also suffered. "Economic decline has hit the Comcon countries as painfully as the Western nations," Mr. Hansen added.

—ANDREW HARGRAVE

Aviation: Era of Joint Ventures, Mergers

By John Dornberg

MUNICH — There seemed to be a time when the words aviation and space seemed virtually synonymous with "German." Orville and Wilbur Wright were still repairing bicycles when a German, Otto Lilienthal, made the world's first piloted glider flight in 1891, and it was largely his innovative work that aroused the interest of the Wright brothers in flying.

German pioneering triumphs on the record since Lilienthal are: the dirigibles of Count Ferdinand von Zeppelin; the world's first all-metal airplane, Hugo Junkers' J-1 in 1915; Claudius Dornier's luxurious Do-X flying boat, which crossed the Atlantic with 169 passengers as early as 1930; the first rocket aircraft, by Ernst Heinkel; the V-1 "buzz" bomb and V-2 missile, developed by Werner von Braun; the first jet fighter, mass-produced by Willy Messerschmitt in the waning months of World War II; the remarkable Do-31, the first and thus far only vertical-takeoff jet transport, which made its initial flight in 1967.

Yet, for all these pace-setting developments, West Germany has ranked as little more than an afterthought in the world of aerospace since the war, and until quite recently, the history of its industry was largely a tale of second-rate technology and commercial flops.

Postwar restrictions on the industry were one, if not the chief, reason. It was not until 1955, when the federal republic gained complete sovereignty and joined NATO, that West Germans were

even permitted to produce powered aircraft.

Most of the big-name designers and manufacturers had survived the occupation ban and were still on the scene: Messerschmitt, Junkers, Heinkel, Dornier, Focke-Wulf, Blohm & Voss. They had been joined by a few newcomers such as Ludwig Bölkow and Hanno Fischer.

For a decade they had tried to keep themselves afloat, either by designing and manufacturing surreptitiously abroad, such as Messerschmitt in Spain, or by making sports gliders, prefabricated houses and so-called Kabinenroller — "cabin scooters" — which were mimics that looked like airplane cockpits on wheels, usually powered by motorcycle engines. When the restraints were lifted they were all eager to get back into the business they knew best.

But the beginnings were inauspicious — mostly contracts to assemble on franchise American-designed jets for use by the new Luftwaffe — F-84s, F-86s and finally the F-104-G "Starfighter" — as well as troop and freight carriers such as the French designed "No-rail" and "Transall."

The Germans lacked the financial means — and, many complained, the government contracts and funding — with which to close the 10-year gap during which the U.S. aerospace industry had established its dominance and the French and British had gained commanding leads.

During the first two decades after its rebirth the West German industry established a reputation primarily for building the world's fan-

ciest models and mockups, none of which could fly, as well as a few sensational prototypes, such as Dornier's VTOL transport, the HFB-320 Hansa business jet and the VFW-614 short range 40-passenger jetliner, all of which failed to win government go-ahead for mass production or niches in the highly competitive marketplace.

There were some exceptions. One of the most notable was Bölkow's BO-105 helicopter, using his unarticulated rotor with the high-elasticity GFK rotor blade. More than 1,200 of the BO-105 have been sold in over 36 countries since the prototype was unveiled in 1967.

Another exception was Dornier, which has sold more than 600 of its Do-27s and more than 900 of the Do-28 "Skyvants," both highly efficient utility and commuter aircraft, the latter a turbo-prop version.

But, on the whole, it was a period of floundering and wing-flapping, marked, moreover, by a succession of corporate mergers and fusions, the latest in 1981, that led to all of the once famous names and manufacturers, except Dornier, becoming part of the giant that now dominates the industry — Messerschmitt-Bölkow-Blohm (MBB), with headquarters in Munich-Ottobrunn.

Perhaps, as MBB's new chief executive officer, Hanns Arnt Vogels, says, the mergers were what the industry really needed to make it technologically competitive and commercially viable in an aerospace world dominated by the United States and in which even

the French and British are second-team players.

At any rate, in recent years, since the late 1970s — West Germany has at least returned to the aerospace map.

The comeback is due in large measure to successful joint ventures: the Airbus; the Franco-German Alpha Jet fighter, of which Dornier delivered the last of 175 ordered by the Luftwaffe in January; the German-British-Italian Tornado multipurpose fighter-bomber-reconnaissance jet; the European Ariane rocket; the multipassenger Spacelab, which will make the first of more than 50 trips into orbit aboard the Columbia shuttle in September; the Shuttle Pallet Satellite (SPAS-01) aboard the Challenger in April; Exosat, an X-ray telescope satellite intended for outer-space pulsar and black-hole research, scheduled for launching into a 300-by-200,000-kilometer orbit this summer, and a variety of European communications satellites.

But in many of these projects the West Germans play a leading role these days. Thus, 37.9 percent of the Airbus — virtually the entire tail and most of the fuselage — and 42.5 percent of the Tornado are designed and built by MBB. The firm's ERNO subsidiary is primarily responsible for the Spacelab and together with Dornier it has the major chunk of other European satellites. MBB and France's Aerospatiale are equally involved in the development and production of various anti-aircraft and anti-tank missiles such as Roland, Milan and HOT.

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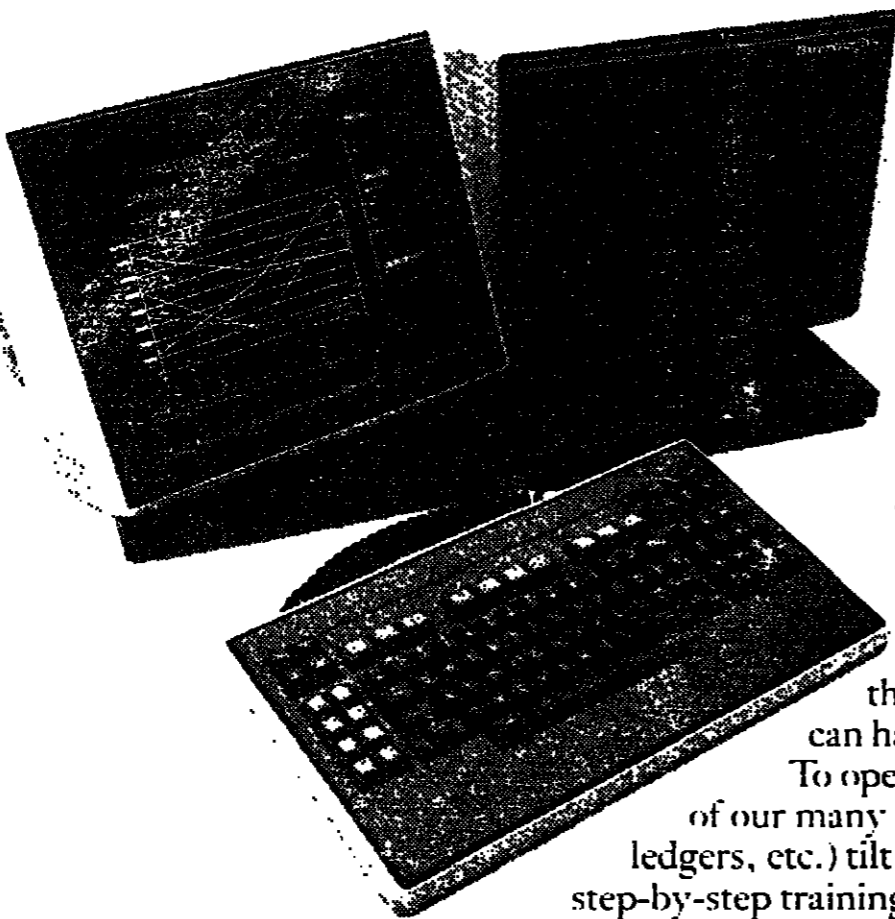
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WEST GERMANY

Greens: Priorities for New Role

BONN — The joy with which the anti-nuclear Green party celebrated its entry into the Bundestag on March 6, has given way to the frustrations and realities of preparing for constructive and effective parliamentary opposition.

"We have got to make our mark within the first 100 days, it will not be enough just to sit there," said Petra Kelly, one of the 27 Green deputies and a co-leader of the party. "Making our mark," she explained, meant fulfilling the expectations of the varied and complex social groups that lent their support to the Greens.

Apart from the anti-nuclear and ecologist movement, women, immigrants and campaigners for a new world economic order were among those who placed their hope for the future in the Greens.

"We shall maintain our fundamental opposition on questions relating to life and survival; if we start compromising over them, we can give up," Ms. Kelly said.

This means opposition to nuclear arms and nuclear energy, the fight for women's rights, an end to the principle of economic growth, job creation through a cut in working hours and a more equal relationship between the industrialized and the developing world.

The Greens realize, however, that the obstacles are great in the face of a government committed to a defensive, economic and social policy opposed to the ideas of the anti-establishment forces they represent.

"In a way, it is a good thing that we are in the opposition," Ms. Kelly added. "It will give us time to give credible and concrete meaning to our political ideas."

She did not hesitate to criticize the three-year-old party for its shortcomings. "The self-determination and co-determination we are preaching for everyone, we are not realizing among ourselves," she said.

This made itself felt particularly "in the absence of emancipated human relations between men and women in our party" and in attempts to turn the principle of grass-roots democracy into "too much intellectual discussion," Ms. Kelly added.

Most of the Green deputies have academic backgrounds. They include teachers, journalists, two professors, a former army general, and only one "real worker" — a bricklayer — and two former factory councilors.

There are clear signs that the establishment parties will do their best to obstruct the Greens in parliament. Remarks by deputies of the new party that they would

publicize information concerning missile sites, storage of nuclear arms or corruption scandals involving politicians, were interpreted as attempts to breach parliamentary secrecy, and led to talk in the conservative press of barring the greens from vital parliamentary committees.

"We shall abide by existing laws, but sometimes these laws are turned into an instrument of keeping vital information from the citizen — and that we shall not tolerate," said Otto Schily, a Green deputy and a former lawyer for leading Baader-Meinhof militants.

Mr. Schily said it was a "scandal" that political parties were illegally financed by the industry and that the activities of former Nazis in the intelligence services were shrouded in secrecy.

The Greens, however, had an unfortunate start to their attempt to expose former Nazis when they discovered that one of their members, 75-year-old Werner Vogel, had belonged to the S.A. stormtroopers and the Nazi party. As the oldest member of parliament, Mr. Vogel would have presided over the Bundestag's opening session, but decided not to take his seat following revelations in the press about his past.

Although the affair caused the Greens some embarrassment, Mr. Vogel's swift decision was welcomed by many as a refreshing approach to the problem of dealing with the past. Mr. Vogel had repented and learned from his past mistakes, the Greens said, but by resigning he wanted to set an example to all those who still held public office despite their Nazi backgrounds.

As a first step toward keeping their campaign promises, the Greens have asked for three new parliamentary committees to be set up — one to deal with the environment, one with women's matters and one with disarmament.

The Greens realize that the opposition Social Democrats — with whom they want to cooperate — can afford to be much more radical, and could overshadow the anti-nuclear party.

This has led them to define their future role as being one of acting both inside and outside parliament. "We shall bring non-violent resistance to parliament, but a lot of our opposition to the missiles will be outside parliament. We cannot avoid the risk of legal prosecution just because we are deputies," they said.

— ANNA TOMFORDE



A sculpture of Konrad Adenauer stands before the fence around the palace in Bonn where the federal republic's first chancellor gave formal receptions.

A Sunny Spot on the Rhine Nurtures Celebrated Wines

JOHANNISBERG — On a late winter day in the early ninth century, the Emperor Charlemagne, a great wine enthusiast, noticed from his palace on the left bank of the Rhine that the snow was melting earlier on a particular hill across the river. He ordered vines planted there. Today, that same vineyard produces some of the world's most celebrated and most expensive wines on an estate that in recent centuries has been known as Schloss Johannisberg.

The region, the Rheingau, has been a favorite of German wine connoisseurs for centuries. It is a wine region with both aristocracy and experience. The hilltops are crowned with three-, four- and five-century old mansions from where wine-making barons look over their vineyards. One tower on the Schloss Vollrads dates to 1300, but the same family has been producing Schloss Vollrads wines since the 1100s.

For most of its 700-mile course, the Rhine flows from south to north. But just below Mainz, the Taunus mountains force the river westward for about 20 miles before resuming its northern course. The northern bank of this 20 mile stretch, rising in gradual hills toward the Taunus mountains, provides an excellent spot for vineyards on land that would normally have been too far north for good wine. Sunlight reflects off of the Rhine — half a mile wide at this point — and intensifies the southern exposure while the mountains behind the vineyards shield them from a cold north wind. On some of the higher vineyards, walls have been built for further protection.

The main produce of the southern slopes are the small, tightly clustered Riesling grapes, which account for 76 percent of the grapes in the Rheingau.

Riesling has a low yield — as low as two bunches on a vine — which can be increased by pruning, but only at the expense of quality. It is resistant to cold, but needs a long growing season to ripen well. It has an unusually high acidity level, which can make for a sharp, aggressive wine. But in the Rheingau, this acidity is balanced with natural sugar, producing a wine that can simultaneously give the impression of both dryness and sweetness.

German wines are divided into three quality classifications. Unlike the French, the German system requires reclassification of every vineyard every year. The lowest classification, table wine, is not produced in the Rheingau and if any is, it is sold off.

The next classification, Qualitätswein, is produced in the

Rheingau but in less quantity than the highest grouping, Qualitätswein mit Prädikat — or quality wine with category. There are five prädikats depending on the amount of natural sugar in the must, the pressed grapes. Grape sugar — or glucose — produced by sunlight, turns to alcohol during fermentation. In northern wine this becomes the pivotal quality factor, and in the Rheingau a good year is a year in which the grapes have a high sugar density. Ideal weather made the 1982 harvest a potentially great year until the last moment, when a harvest-time rain increased the water content in the grapes and lowered their sugar density.

In other areas and with lower quality German wines, sugar can be added to the must to increase the alcohol content. German law does not permit this in wines with prädikat, which means they can only be produced in a good vineyard or in a good year.

Another is the first level of prädikat wines. The next, spätlese, was accidentally discovered at Schloss Johannisberg in 1775, when the messenger who gave the monks permission to start the harvest arrived late and the grapes were shriveled and rotting on the vine. But it made the best wine they had ever produced.

What they had discovered is a phenomenon called noble rot — a particular degeneration of the grapes that only takes place under ideal fall weather conditions. In 1787, Schloss Johannisberg let it go further and created the first auslese wine. Then vintners learned how to go even further in perfect years. Only selected bunches are used for auslese, but beerenauslese, which means berry selection, only uses individually selected grapes. The highest prädikat, trockenbeerenauslese, is made with as few as the two most perfectly shriveled grapes out of every hundred.

With age, these sweet, perfumed, complex wines turn a brilliant deep, golden color that seems to give off its own light. The richness is the result of the high degree of concentration in the juice remaining in the shriveled grapes. It takes 10 to 15 times as many of these raisins to make a bottle of trockenbeerenauslese as it does to make a normal wine.

Sometimes, late harvest grapes do not shrivel but are left on the vine until the first real freeze and then harvested, often in the snow, and crushed while frozen. Only the richest juice can be extracted from the frozen grapes, and the resulting wine, eiswein, combines an intensely sweet taste at the first moment with a secondary taste that is just as vividly acid.

— MARK J. KURLANSKY

Scientists Strive to Unlock Mysteries of a Beer's Head

(Continued from Page 7S)

Berlin to be judged. A panel of 10 to 20 VLB judges hold three or more tastings every day.

To be a beer taster requires unusual sensitivity to gradations of sweet and bitter. A simple test must be passed before qualifying to train as a taster. Water is mixed with minute amounts of quinine or sugar and the candidate must identify the tempered water.

Beer is tasted in dark brown glasses to avoid the tendency to be prejudiced by color. A light colored beer may give the impression of light taste or a darker one of more robust body, but, unlike wine, color has no real correlation to taste in beer.

Usually a beer is tasted against a second beer. Each taster has three glasses. Only judgments by the two glasses who can correctly identify the two glasses with the same beer are considered valid. Occasionally no one can and the two beers are judged to be identical.

The VLB and its equivalent at

the Munich Technical Institute have started judging beer on the German market and awarding gold or silver prizes that brewers are entitled to use on labels for two years. The commercial importance of this rating was recently underscored when a gold medal winner from a three-brewery town took out an advertisement congratulating the other two breweries on their silver medals while displaying its own higher award.

There are numerous criteria for judging beer starting with its smell and clarity and ending with laboratory tests. Tasters rate seven characteristics on a one-to-five scale: smell, purity of taste, intensity of bitterness, the hop flavor, the body — three and four are best, one being too weak and five too thick — and the taste of the carbonation.

Size in itself is not an enemy of quality but local distribution enables beer to stay fresh. A few large breweries with nationwide distribution have started pasteurizing their beer.

WEST GERMANY

Electronics Industry Faces Up to Challenge In International Market

By Clive Freeman

BERLIN — In recent months, uncertainty over the future of such big concerns as AEG-Telefunken and Grundig has plunged the West German electronics industry into gloom.

Shaken by upheavals and the accompanying publicity, the industry has been unable to focus on its real task of meeting the challenge of the United States and Japan on world markets.

Although some experts are pessimistic about the industry's future, there are some glimmers of hope. At top government levels and among industry pace-setters, there has been growing agreement in recent years over the kind of action needed to make the industry more competitive at the highest levels.

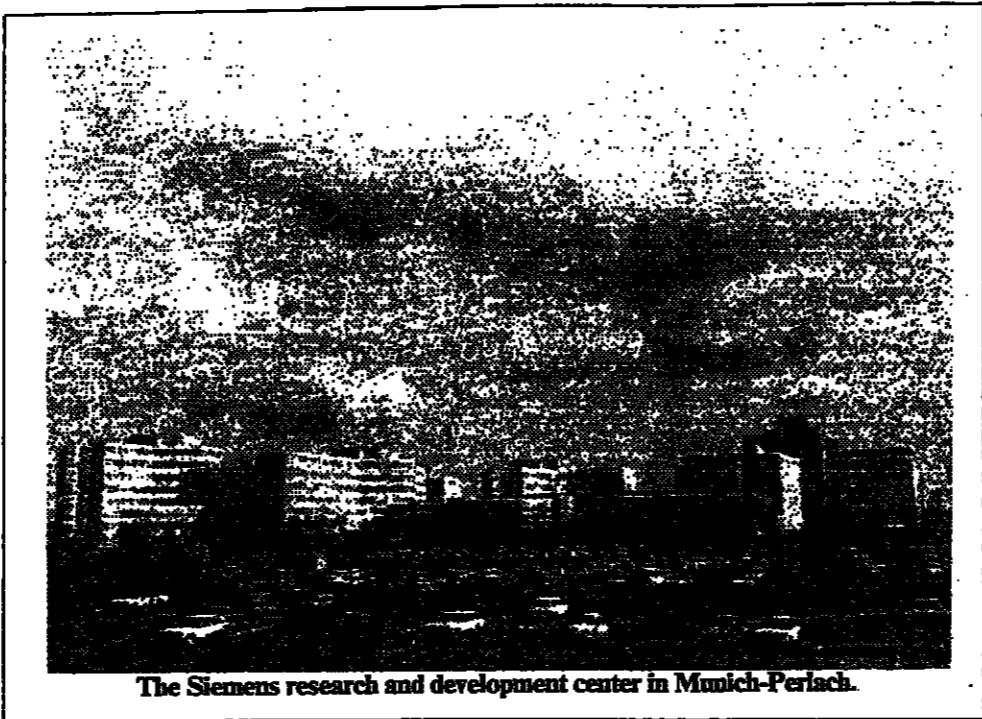
The pressing need to match the United States and Japan in product development and effective marketing is only one aspect of the issue. Another is to achieve closer collaboration between Europe's

electronic technology companies to alleviate the trade threat from the Far East and the United States.

A third necessity is to make sure that people with acumen and energy are able to specialize in research and development, because this is a vital sector where money alone does not guarantee breakthroughs.

In the West German home electronics sector, firms have invested vast sums of money in new technologies and promotion during the last two or three years. But by the end of 1982, warehouses were still full of unsold color television, video recorder and hi-fi sets. High interest rates and the stereo color television sets more expensive than the traditional ones meant that a lot of money was tied up by the surplus.

Production capacity for home electronics equipment was large throughout the world, but demand did not rise as fast as the industry had hoped. Even declining prices failed to lure buyers back. Until Christmas 1981, video sales were



The Siemens research and development center in Munich-Perlach.

booming and retail margins were adequate, but as a result of the huge Japanese production, a price war began in 1982 and dealers slashed as much as 1,000 Deutsche marks or more off the cost of their sets.

West German electronics manufacturers have begun to realize that to stand a chance in world markets they have to come up with new technologies that will sell even in a saturated market. As a result, increasing attention is being paid to such developments as digital technology, microcomputers and other forms of microelectronics, as well as to new generations of so-called super-computers and new communication systems.

Siemens, one of the world's leading electronics companies, fared relatively well in 1982, given the effects of worldwide recession. It earned 43.1 billion DM worth of orders last year — a 4 percent increase over 1981. But as its 1982 annual report revealed, the transition to electronic technologies resulted in a 4 percent cutback in its work force last year. Siemens now employs 324,000 people, against 338,000 in 1981.

Siemens spends about 10 percent of its world sales — more than 3 billion DM in 1979-1980 — on research and development, and currently says that it has 30,000 staff members tied up in this sector.

"Microelectronics, data processing and optoelectronics are opening the way to a substantial increase in transmission and switching capacities," a company spokesman said. "The large-scale integrated circuits used in data

communication systems are also stimulating further development of the telecommunication network."

About 60 percent of Siemens products are less than 5 years old, and the company says that, among its integrated circuits, the proportion of "young products" exceeds 80 percent.

In telecommunications — another increasingly important field — Siemens appears to have made a successful switch from analogue to digital technology. Simultaneously, the company has pared down less profitable product lines and increased efficiency on others.

Siemens can expect a further flow of orders when, in the next 18 months, work begins on converting the entire West German telephone cable network to optical fiber. Several companies remain in the running for major orders from the Bundespost. Already 10 different pilot projects — under the code-name Bigfun — have been mounted in Berlin, Düsseldorf, Hamburg, Hannover, Munich, Nuremberg and Stuttgart. By 1986, Siemens, AEG, Telefunken, Fuba, Krone and S&W will be graded for the performance of their respective integrated networks. With the Bundespost reportedly planning to invest as much as 100 billion DM in optical cables and other technology during the next 20 years, many companies are eager to earn a share.

Private companies specializing in high technology are rare in West Germany. A notable exception is Nixdorf Computer in Paderborn, which through the shrewd leadership of its boss, 57-year-old Heinz Nixdorf, has built up a flourishing

company with sales of 2 billion DM a year. Today, the firm that Mr. Nixdorf launched in 1952 as a humble supplier of electronic calculating equipment has an estimated one-fifth of the market for small- and medium-size computer systems in West Germany, and 7 percent in the six other major European countries.

Mr. Nixdorf has demonstrated that, if necessary, he is not afraid to pit his company against the more powerful electronics and telecommunications concerns operating around the world. In size, the Nixdorf company is tiny compared to a firm like Siemens, for example, and has a worldwide work force of only 15,000. But it competes with the biggest when it comes to winning orders in the intensely competitive electronics sector.

The turbulence created last summer by the financial collapse and court proceedings against AEG-Telefunken is still being felt in the West German electronics industry. The news in March that the state-owned French firm Thomson-Brandt was to gain control of Telefunken, the AEG subsidiary, after losing its battle to buy a 75.5 percent stake in Grundig was received with mixed feelings in business circles. The deal has the approval of the West German cartel office, and is expected to provide welcome financial relief for AEG, the troubled parent company, which Telefunken has been draining financially. Currently, Telefunken's German employees number 3,500, and it is not yet clear whether some of them will be laid off under the Thomson-Brandt management.

The latest development leaves open the long-term future of Grundig, which in recent years was Germany's dominant consumer electronics concern. The collapse of its merger plans means that Grundig will sooner or later have to find another partner, and its options are limited. Philips, the Dutch electrical giant, already has a 24.5 percent equity in the company, and it would not come as a surprise to the industry if it now moved to increase its holdings.

While uncertainty remains, a strong counter-bid against the Japanese and U.S. home electronics manufacturers is not going to come from within Europe. Even at the European Community level, any plans for achieving closer collaboration between European electronics companies — even of forming a block powerful enough to match the Japanese and U.S. opposition — still seem a long way off.

A token effort was made last year when the EC launched a new project named Esprit, with 25 million DM in support funds, aiming to bring about a sensible collaboration in electronics research and development. Backed by a dozen leading European electronics manufacturers including Siemens, one of Esprit's ultimate goals is the creation of a think-tank body that can coordinate national policies on matters such as the development of the new wave of super computers.

But the outlook for some West German electronics manufacturers is not very promising. Survival for many of them will depend on just how well they adapt and tune themselves to the changing needs of the market. If the necessary investments required for high technology projects are to come about, joint efforts by companies and the government will be needed in the long term.

Isolation Nourishes Berlin's Vitality

The inability to survive autonomously has elevated Berlin to favorite-son status. The city's tolerance, dictated by its role, has turned it into a cultural metropolis of Europe, into a Western think tank. Its location and its survival have become a bond between a divided Germany.

By Uli Schmetsch

BERLIN — The beach sands for the Wansee are brought in from the ocean on barges. West Berliners saw them all summer in search of a seashore that wins a free vacation on the Baltic coast.

During the winter, tens of thousands ski and toboggan down the Teufelsberg, the mountain near Spandau, built with part of the rubble from the 48,000 buildings destroyed by Allied bombing during World War II, a time old Berliners remember as "our Sodom and Gomorrah."

Down by the canal at Kreuzberg, known as the Turkish ghetto, the sign on the bank explains in German and Turkish that there is "Mortal danger." This is under control of the East sector. "Nearby, a slogan on a wall demands 'Turks out.' It is difficult to say which discrimination is worse.

East-West relations. Yet, this weakness has become the city's strength. The inability to survive autonomously has elevated Berlin to favorite-son status. The city's tolerance, dictated by its role, has turned it into a cultural metropolis of Europe, into a Western think tank. Its location and its survival have become a bond between a divided Germany.

West Berlin today boasts 41 theaters and hundreds of cinemas. It plays host to more than 100 alternative groups and subcultures. Ninety-thousand students study at its two universities. There are 180 research and development institutes with staffs totaling 40,000, half of them academics and scientists. It pays grants to 5,000 artists and this year will be host to 68 trade fairs and conventions.

Artificially nourished by the federal republic — which pays more than half the city's budget — West Berlin enjoys tax cuts benefiting industry, cuts that not only benefit the Berlin manufacturer but also the West German buyer of Berlin goods.

Today every eighth Berliner is a foreigner. Among them are 132,000 Turks, 32,000 Yugoslavs, 7,000 Italians and 8,000 Poles, two-thirds of whom fled to West Berlin after the military takeover in their country.

Heinrich Lummer, the city's senator for security and vice-mayor, sits near the top of the moody political barometer. A pugnacious but pragmatic man, he sees his city increasingly as "a dumping ground" for political exiles left at his doorstep by the authorities in the East and dropouts from the West who see the city as a haven of free expression.

"We have no chance to turn back anyone who wants political asylum," Mr. Lummer said. "We have no control."

And the man who runs West Berlin's internal security on a tight rein dreams of the day when the four occupying powers will turn the city over to his own police force.

"We don't want either East or West control," he said. "We want it to be a truly free city."

Through Mr. Lummer hastens to add that cooperation with the Allies in his sector is good he does recount, not without a tinge of rancor, the story of the American commander who decided to ask for permission to build a new settlement for his soldiers in the Green Zone. The project instantly incurred the wrath of local environmentalists. Bugged down by the protests and Berlin bureaucracy the American commander simply went ahead and built it, an action that prompted a local action group to take him to court in Washington.

"They lost the case," Mr. Lummer said dryly.

There are people, including nations of visitors each year, who take advantage of the subsidies and fares. This year alone 68 fairs and conventions are scheduled, most of them at the ICC, the city's futuristic fair center, a rhapsodic colosseum that might have been designed for a science-fiction movie.

West Berlin has many similar modern wonders. It has no Renaissance facades or ancient monuments, no medieval history. It is a city of our times where the past and future are elbowed aside by the present, where culture and religion roam freely, convinced there will always be a tomorrow.

Maybe it is this optimism that made West Berlin so magnetic to outsiders.

For the old Berliners, the one who saw the city become the European Hollywood of the 1920s, the Swastika capital of the thirties, razed in the forties and rebuilt in the fifties and sixties, there is always a time to take it easy and a time to roll up your sleeves.

"I was born here and I will die here," said Mr. Else Knopf, a sprightly woman of uncertain age, no matter what flag they hang on the Brandenburg gate.

fiere national pride and a stout religion, the Turks refuse to integrate. German society reacts with prejudice.

"We required guestworkers relatively late in Berlin and we asked for Turks because the supply of migrant labor from other countries had already been exhausted by the federal republic," recalled Hans-Joachim, who is in charge of relations with foreigners.

"By 1973, we stopped Turkish immigration, but over the last decade the Turkish population in Berlin has doubled simply because they continue to bring members of their families into the city," he added.

To plug the Turkish flood the authorities introduced restrictive measures. Turks could no longer visit their country and return with a newly married wife. School-age children could not return after a six-month absence in Turkey and the Berlin senate is now contemplating a law that prohibits Turks from bringing to Berlin children under the age of six years, a measure advocated as a stimulant to integration.

Employed as unskilled labor, mainly in garbage collecting and street cleaning, jobs their German hosts no longer want, the Turks are badly affected by the current recession. Twenty percent of them are unemployed — against 11.3 percent for the rest of Berlin.

Taking advantage of the labor problem, the city offered to repatriate the Turks and their households at its own expense. But the Turks want to stay. So far not one family has taken up the offer.

While Berlin fights a losing battle against the Turks the campaign to regain its prewar role as the cultural metropolis of Germany has been so successful that Winfried Fietz, city director for science and culture, said, "We now have to level out."

The city does out an annual \$140 million in cultural subsidies, ranging from the prestigious Berlin Philharmonic Orchestra (\$3.5 million), the Berlin Opera (\$2.3 million), the three state theaters (\$4 million each) to the \$270,000 dollar grand and small groups, the \$500,000 for alternative groups and the \$80,000 for free artists.

To avoid a "subsidy mentality" city authorities established a criterion demanding that a group must exist for a year and must have gained "attention" before it qualifies for a biannual grant.

"We don't ask too much for quality; we believe what we have is the humor from which come the blossoms," Mr. Fietz said.

The cultural and academic booms, though liberally stimulated with cash, have undoubtedly become the two main lifelines of the city. "Without them we might not have any people here," the cultural director admitted bluntly.

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WEDNESDAY 5 FORECAST - CHANNEL: Slight to moderate.
FRANKFURT: Variable with showers. Temp. 6-5 (48-41). LONDON:
overcast with rain. Temp. 6-14 (30-36). MADRID: Partly cloudy. Temp. 16-23
°F. NEW YORK: Partly cloudy. Temp. 15-5 (59-41). PARIS: Cloudy
with rain later. Temp. 8-2 (48-31). ROME: Fair. Temp. 15-11 (59-51). TEL
AVIV: Fair. Temp. 23-11 (73-21). ZURICH: Variable with showers. Temp. 8-14
(46-59).

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ONE AVAILABLE	in 1983, compared with \$882 million in 1982, a bank official said Tuesday.	ACI	1.29	12
ADEPT LAPSED		ACI Index: 281.37	1.29	12
ROAR REMISSIONS		Previous: 253.35	1.29	12
ASCIT AROMA N.B.T.	The bank's president, Masao Fujikita, told a press conference that the bank will still able to obtain funds at relatively low cost from Japanese, West German and Swiss capital markets but that it had diversified its borrowing to the United States, the Netherlands and Austria because its requirements would continue to increase.	ACI Index: 281.37	1.29	12
BENAVI TORIAL PHONE		Previous: 253.35	1.29	12
STILL IN THE DOOR		ACI Index: 281.37	1.29	12
ONE INDIFFERENT		Previous: 253.35	1.29	12
DEVIL ORBIT OOR		ACI Index: 281.37	1.29	12
SNELL DENIE UNDO		ACI Index: 281.37	1.29	12
ELLIA CKEN SAID		ACI Index: 281.37	1.29	12

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